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ABSTRACT

A school-based business program in Georgia is attempting to broaden the education of high school students by making them more aware of the role of small business in the United States economy and the economic possibilities offered by entrepreneurship. Goals of school-based businesses are to create profit-making enterprises that meet unfilled needs of the community; provide employment opportunities to students; generate/attract income-producing opportunities to the community; provide a vehicle for entrepreneurial training and academic development; and have a positive impact on curriculum and other aspects of the educational system. Secondary school-based businesses started in Georgia are varied: day-care center, feeder pig operation, construction company, quick print shop, T-shirt printing shop, and sheep raising operation. A tourist train, tourist retail shop, and goat dairy are planned. A university export trading company has been incorporated. Success has been varied. Difficulties inherent in the concept include achieving adequate leadership to insure project success, gaining community support through avoidance of local business competition, gaining the crucial support of administrators unfamiliar with the concept, obtaining funding, and tailoring each school-based business to local needs. School-based enterprises hold promise as a model that provides academic experience while promoting entrepreneurship, self-employment, and small business development. (Author/NEC)

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SCHOOL-BASED BUSINESSES IN GEORGIA

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ABSTRACT

Recent studies have shown that the majority of economic growth in an average American community resulted from the creation and expansion of locally owned and operated enterprises. For future economic development, especially in rural areas, small-scale entrepreneurship may be a better model than industrial recruitment programs. In order to accomplish this, however, new programs and policies that stress entrepreneurship are necessary. One such program in Georgia has attempted to broaden the education of high school students by making them more aware of the role of small business in the U.S. economy and the economic possibilities offered by entrepreneurship.

The goals of school-based businesses are to (1) create a profit-making enterprise that meets the unfilled needs of the community; (2) provide employment opportunities to students; (3) generate or attract income-producing opportunities to the community; (4) provide a vehicle for entrepreneurial training and academic development; and (5) have a positive impact on curriculum and other aspects of the educational system.

The school-based businesses that have been started in Georgia at the secondary level are varied. Students have run a day-care center, a feeder pig operation, a construction company, a quick print shop, a T-shirt printing shop, and a sheep raising operation. A tourist train, a tourist retail shop, and a goat dairy operation are in various stages of planning. At the university level, an export trading company has recently been incorporated.

The success level of the businesses has been as varied as the types of businesses opened. The day-care center has experienced the greatest success, meeting all the goals of a school-based business. The feeder pig operation also met the goals of the program but has experienced problems due to sickness in the herd and sagging farm commodity prices. The quick print shop and the sheep raising operation were initially successful but, after a change in leadership, both have faltered. It is too early to judge whether the tourist train, tourist retail shop, the goat dairy, or export trading company will be successful.

Some of the difficulties inherent in the school-based business concept are (1) achieving success is directly tied to the leadership ability of the individuals responsible for the project; (2) gaining community support is difficult unless the school-based business avoids competing with local businesses; (3) gaining the support of school administrators is crucial to the success of the project but difficult to achieve because of their unfamiliarity with the concept; (4) funding for the business at the level necessary to achieve success is difficult to obtain; and (5) tailoring each school-based business to local needs makes the concept difficult and slow to implement. Despite the problems noted, the concept of school-based enterprises holds promise as a model that provides academic experience while promoting entrepreneurship, self-employment, and small business development.

Introduction

In 1930, nearly one-fourth of the total work force in the United States was involved in farming. By 1960, less than one-tenth of the work force farmed and for many, off-the-farm work was required to provide sufficient income for survival [Rosenfeld, 1983]. During the transition from an agricultural to industrial economy, industries such as textiles, apparel, and metal fabrication developed in rural areas and provided employment opportunities to replace lost agricultural jobs, although frequently not at a sufficient level for a healthy economy. During the 1980s, farm employment opportunities have continued to decline, and the industries that in the past provided employment in rural areas have been hard hit by international competition. Today it is not uncommon for newspapers to report stories of plant closings and shutdowns in many rural areas. The problems produced by a decline in traditional sources of rural employment (agricultural and non-agricultural) have recently been compounded by the saturation of urban labor markets. Rural areas lack job opportunities, but the past option of moving to the city is no longer a solution. What is developing in Georgia (as in many other rural states) is a two-tier economy, a healthy economy in Atlanta and some other metropolitan areas and a stagnant economy in the rest of the state [Bachtel, 1985].

The days of attracting a "Northern" firm to the South to solve the problems of unemployment seem to be over as studies show an industrial migration back to the North or overseas. A study conducted by the Chamber of Commerce of the United States found that the majority of the economic growth in an average American community resulted from the

creation and expansion of locally owned and operated enterprises [Crawford, 1981]. The economic future of rural areas may lie in their ability to foster economic development from within. For future economic development, small-scale entrepreneurship may be a better model than industrial recruitment programs. In order to accomplish this, however, new rural programs and policies are necessary. One such program in Georgia is attempting to broaden the education of high school students to make them aware of the role of small business in the U.S. economy and the economic possibilities offered by entrepreneurship.

The concept of school-based business, developed by Jonathan Sher over a decade ago, offers a possible solution to rural economic underdevelopment. As an extension of the concept behind Junior Achievement, 4-H/FFA, or vocational education, the school-based business concept is to create a real profit-making enterprise that utilizes high school youths as the principal operators while meeting unfilled needs of the community. The profit-making business becomes a vehicle for providing entrepreneurial training, academic development, vocational education, youth employment, and community service. It provides students with an opportunity to conduct feasibility and marketing studies, develop business plans, implement the establishment of a small business, and cope with the everyday problems entailed in running a business. If properly planned, the business provides services or products needed by the community, while providing income-producing jobs to high school youths. The skills that are developed in the business will make the youths more marketable in the private sector and, more importantly, will encourage entrepreneurial

abilities that will generate new community businesses [Sher, 1981, 1977].

The goals of school-based businesses are to (1) create a profit-making enterprise that meets the unfilled needs of the community; (2) provide employment opportunities to students; (3) generate or attract income-producing opportunities to the community; (4) provide a vehicle for entrepreneurial training and academic development; and (5) have a positive impact on curriculum and other aspects of the educational system. A few examples of school-based businesses in Georgia will best show the concept in action.

Georgia School-based Businesses at the Secondary Level

The first school-based businesses were started in Georgia in 1978 in Brooks County, a poor, rural school district with high dropout and absenteeism rates. The project began with a student-conducted needs assessment of the community. The needs assessment identified five problem areas: a day-care service for children was not available; swine production needed improvement; the elderly needed their homes repaired; the high school vocational education program was perceived to be inappropriate for the needs of students; and the high school offered no courses in construction and building repairs.

In response to the community needs that were identified, a student-operated construction company was formed. Their first project was to build a day-care center on high school grounds. The day-care center has been run by high school students under the supervision of one adult. Students must first pass the requisite academic work before they are eligible to work in the center and be paid for their labor.

The project has produced a high quality service to the community and has trained students for a career. In fact, Brooks County High School is the only secondary school in the state that graduates students who are certified child-care workers.

The student-operated construction company also built a relatively sophisticated feeder pig operation on school grounds. Although swine operations were important economically to the area, they were marginally productive operations at that time. The four-building Brooks County High School operation built by students is a model of the latest techniques for swine raising. Besides producing a valuable learning experience for students and a profit for reinvestment in other school ventures, the feeder pig operation has helped the 200 swine farmers in the county improve productivity. For example, the students developed a computer-based swine management program that stresses efficiency and profitability and is available to other swine producers in the area. Students have also learned the value of recordkeeping as a management tool from this experience.

At Atkinson County High School, students set up a quick copy print shop in response to community needs. Prior to the student-run operation, Atkinson County residents had to drive to neighboring Coffee County to have access to a copy machine. Atkinson County High School did not have the money in its budget to purchase a copy machine for school use. In order to begin the operation, the students sold stock to 18 teachers, the school office, a local business, and two individuals. The print shop offers its copying services at 10 cents per copy or five cents per copy if the customer provides the paper. Stockholders do not pay for their copies if they provide their own

paper. The Atkinson County students also run a T-shirt printing company. They have recently developed a brochure that will allow them to sell the T-shirts through mail-order as well as personal selling.

In Hartwell, Georgia, a working partnership has been formed by a local community development corporation and a school-based enterprise to upgrade a local tourist attraction that will benefit the whole community. The Depot Street area, a once neglected area on the edge of the central business district, is undergoing a transformation that will return the building facades to their turn-of-the-century appearance and encourage businesses that will attract tourists. As a part of the plan to attract tourists, students will operate a passenger steam train and a retail shop offering Georgia products. Student work on the project has already begun. Last summer, students installed a roundtable for the train and made improvements to the interiors of the train cars. Some students were busy renovating a building on Depot Street to be used for a community playhouse, while others made plans for the retail shop.

School-based businesses are being planned for other communities. Monticello now has a student-operated sheep enterprise on the high school grounds. Current plans are to put a model school-based sheep raising enterprise in each of the ten congressional districts in Georgia. A study of the market revealed that more than 30 percent of the demand for sheep and lamb meat is now in the South, yet less than one percent of the production is in this region. The plan is to increase lamb production in the South and to build a processing facility. At the present time the closest lamb processing facilities are in Virginia and Missouri. Another planned school-based business

project would develop a goat dairy operation in Atkinson County in response to the growing demand for gourmet goat cheeses and raw goat milk.

School-based Business at the University Level

The history of school-based businesses in Georgia high schools is less than a decade old. To the authors' knowledge, the University of Georgia is the site for the first application of the concept at the university level. During the last seven months, the Small Business Development Center (SBDC), in partnership with the Center for Community Education, has been helping undergraduate students in the International Business Program to plan and implement an Export Trading Company (ETC).

The main purpose of an ETC is the export of American-made goods and services and/or aiding unrelated companies in exporting their products; however, an ETC may also engage in importing and third-nation trade to facilitate export activity. The list of services an ETC can provide a business is extensive: market identification and research, insurance, and freight forwarding, to actually taking title to the exports. The services of an ETC overcome such barriers to export trade as lack of knowledge and resources for small and medium-sized businesses.

A school-based business at the university level has the potential to benefit the state of Georgia in a number of ways. The ETC will provide services to small and medium-sized firms that will assist them in realizing the opportunities offered by international trade. In 1984, it was estimated that only 1,100 firms in Georgia were involved in international trade, or only about one percent of the total

establishments in the state in that year [Georgia World Congress Institute, 1984]. International trade volume through the major ports in that year was approximately $11 billion, but about 80 percent of this volume resulted from the trade of a few large firms. Therefore, Georgia has a large pool of small to medium-sized firms that have failed or are unable to take advantage of the opportunities offered by international trade.

Since the project will provide specialized training in international trade, as well as a real-world laboratory in which students can obtain "hands-on" experience in international business, the project will produce a pool of potential employees who are better trained for international business. It is hoped, however, that the experiences the students receive in running a small business will spur entrepreneurial interests that will lead to more international small business start-ups. Since faculty from the College of Business will also be involved, the project is expected to impact the curriculum. One impact may be that the international curriculum will reflect the viewpoint of small business issues in international trade rather than just that of the multinationals.

At the present time, the students have elected officers; set up committees for marketing, finance, sales, accounting, legal, and protocol; and are in the process of writing a business plan. They have targeted several products to export and import and are conducting the market studies for those products. They hope to be operational no later than Spring 1987. The biggest problem they face, like all small businesses, is start-up capital.

Results

Although the oldest school-based business is only a little over five years old, and there are too few school-based businesses at this point to make any sweeping claims for the concept, the projects seem to have met many of the goals of the program. The Brooks County Child Development Center has provided quality day-care services for 40-50 children per day. Students have become licensed day-care aides, and two new day-care facilities have been opened in the community. One graduate of the program has gone on to direct a day-care center. The Brooks County Child Development Center generated $38,000 last year that was reinvested in this and other projects. The feeder pig operation was expected to generate about $12,000 in profit per year; however, similar to many other small agriculture-related businesses, it has experienced some unforeseen problems. A sharp drop in hog prices and illness in the herd have kept profits at $4,000 to $5,000 per year. Recently, the severe recession in the agricultural products industry has resulted in a shutdown of the operation; school officials are, however, planning to reopen it in the fall. Although the problems the operation faced were considered unfortunate, the situation was considered a learning experience for students as it demonstrated the ups and downs so prevalent in many small businesses.

According to Brooks County school officials, the projects have had a positive impact on the attitude of the community toward the school system, lowered the dropout rate, and improved average daily attendance. Because of the projects, curriculum was upgraded in the child-care program and a construction component was added to the vocational curriculum. At least two new businesses (day-care centers)

were opened in the community as a result of the program. However, it is too early to tell at this time whether the program will spur entrepreneurial behavior in student participants.

The Atkinson County quick print shop was a very profitable operation. Before its first full year of operation, it had paid for all equipment purchases and generated $2,700 in net profits. It continued to operate very successfully through the next year until a change in leadership occurred when the original project director moved to another position. The shop continued for two years, after which a decision was made to close it and sell off the equipment. The project had generated enough profits by that time to purchase a copy machine for each of the schools in the district. Before the project, schools had used mimeograph machines due to a lack of funds. The T-shirt printing business continues to operate.

Monticello experienced a similar problem with turnover in leadership in the sheep raising operation. Before the first year of operation was completed, the original director of the project left the position to go back to school. The new director, feeling uncomfortable with the school-based business concept, turned the enterprise into a 4-H project by assigning ewes to students. Since the school-based project was terminated so early, it is difficult to judge whether it could have been a successful school-based business.

It is evident from the experiences of the school-based businesses that the concept is promising but not without some inherent difficulties. Much of the success of a project appears to be tied to the leadership ability of the individuals responsible for implementing the project. A few of the projects were very successful initially but

suffered when a change in leadership occurred. Part of the problem may be that, except in the case of the day-care center director, directing the project was not an integral part of the job but a supplemental activity for the project director.

A second problem is determining an enterprise that meets community needs without competing with local businesses. To be successful a school-based enterprise must gain the full support of the community and, therefore, must be viewed as not in direct competition with existing local businesses. This makes the planning stage crucial to success. When analyzing what enterprise to support, it is important to choose one that will not be in direct competition with established businesses but will supply a missing good or service or turn competition into cooperation by, for example, helping to expand local businesses or supplying an intermediate good or service rather than the finished product or service.

A third problem is that most school administrators are frequently unfamiliar with business concepts and uncomfortable with a dual role of providing education and economic development for their communities. The concept requires trust in student decision making and a belief in student responsibility, ideas frequently in conflict with the caretaker approach of most educational systems. Winning the true support of key school administrators is also crucial to success of the projects.

A fourth problem is the lack of capital available to support the projects. Some likely sources of capital are the State Department of Education, the U.S. Department of Education, private foundations, and local supporters. However, even these sources could not provide the

level of funding needed for some businesses, for example, many manufacturing businesses.

A fifth problem is that the planning and implementation of each project is slower and more cumbersome than a generic program because of the time involved in tailoring each school-based enterprise to local needs. However, this weakness may be balanced by the greater potential for success of a school-based enterprise that truly meets community needs. There is also the advantage to the students of carrying out the feasibility study and helping to plan the business.

Finally, the concept has only been previously implemented at the secondary school level in rural communities. The university-based project is too recently implemented to judge its ability to succeed, and no projects have been implemented in urban secondary school settings as yet. However, it would seem that some of the problems noted earlier may actually be less of an issue in urban secondary schools. For example, it may be easier to win over school administrators to the concept since rural communities frequently exhibit more local conservatism and resistance to change. In urban settings, the issue of competition with existing businesses may be of lesser concern since the incremental increase in competition from a school-based business is insignificant, and the possibilities for choosing businesses that will fill unmet needs are greater. And lastly, in urban environments there are many more sources of capital to be tapped. The greater number of possible corporate sponsors or lending institutions in these areas increases the chances of finding funds for operation.

Conclusion

Despite the problems noted, the concept of school-based enterprises holds promise as a model that provides academic experience in a real-life context. School-based enterprises represent an important extension of the concepts of Junior Achievement, 4-H/FFA, and vocational or cooperative education. The major difference is that school-based enterprises seek to promote entrepreneurship, self-employment, and small business development through the operation of real businesses that have long-term economic viability and provide community benefit. Recent trends in economic development emphasize the importance of fostering growth through the creation and expansion of local firms as opposed to industrial recruitment. School-based businesses could be a tool for that strategy.

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